

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Investigation of)
HAWAIIAN ELECTRIC COMPANY, INC.;)
HAWAII ELECTRIC LIGHT COMPANY, INC.;)
and MAUI ELECTRIC COMPANY, LIMITED)
Related to the Major Power Outages of)
October 15-16, 2006.)
_____)

DOCKET NO. 2006-0431

ORDER NO. 22986

Filed Oct. 27, 2006
At 3 o'clock P.M.

Karen Higash
Chief Clerk of the Commission

In the Matter of the Investigation of)
)
HAWAIIAN ELECTRIC COMPANY, INC.;)
HAWAII ELECTRIC LIGHT COMPANY, INC.;)
and MAUI ELECTRIC COMPANY, LIMITED)
)
Related to the Major Power Outages of)
October 15-16, 2006.)
)

Order No. 22986

By this Order, the commission initiates an investigation to examine the major power outages that occurred on the islands of Oahu, Hawaii, and Maui on October 15-16, 2006 ("Power Outages"), which involved HAWAIIAN ELECTRIC COMPANY, INC. ("HECO"); HAWAII ELECTRIC LIGHT COMPANY, INC. ("HELCO"); and MAUI ELECTRIC COMPANY, LIMITED ("MECO") (collectively, the "HECO Companies"). This investigation is initiated pursuant to Hawaii Revised Statutes ("HRS") §§ 269-7, and 269-15; and Hawaii Administrative Rules ("HAR") § 6-61-71.

HECO, HELCO, and MECO are Hawaii corporations and public utilities as defined by HRS § 269-1 and, thus, are subject to commission jurisdiction under Chapter 269, HRS.

HECO, a wholly-owned subsidiary of Hawaiian Electric Industries, Inc., is engaged in the production, purchase, transmission, distribution, and sale of electricity on the island of Oahu in the State of Hawaii ("State").¹ HELCO, a wholly-owned subsidiary of HECO, is engaged in the production, purchase, transmission, distribution, and sale of electricity on the island of Hawaii.² While, MECO, a wholly-owned subsidiary of HECO, is engaged in the production, purchase, transmission, distribution, and sale of electricity in the County of Maui which consists of the islands of Maui, Molokai, and Lanai.³

On Sunday, October 15, 2006, at about 7:07 a.m., the State experienced a 6.7-magnitude earthquake west of the island of Hawaii, which initiated a series of events that resulted in island-wide power outages on Oahu and Maui and significant outages on the island of Hawaii.⁴

On Thursday, October 19, 2006, at the request of the commission, the HECO Companies briefed the commission and the DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND

¹HECO was initially organized under the laws of the Kingdom of Hawaii on or about October 13, 1891.

²HELCO was initially organized under the laws of the Republic of Hawaii on or about December 5, 1894.

³MECO was initially organized under the laws of the Territory of Hawaii on or about April 28, 1921.

⁴A number of smaller earthquakes occurred after the initial 6.7-magnitude earthquake, which was reported to have been centered off of the Kona coast of the island of Hawaii.

CONSUMER AFFAIRS ("Consumer Advocate")⁵ on their initial assessment of the Power Outages ("Commission Briefing"). At that time, the commission was informed that HECO began power restoration shortly after Oahu's island-wide blackout (at or about 7:27 a.m. on the morning of October 15, 2006), and that restoration of power to most of HECO's customers was not completed until 1:55 a.m. on the morning of October 16, 2006. HELCO, which experienced numerous problems with its transmission and distribution circuits, avoided an island-wide outage of its system, and restored power to most of its customers by 12 noon, and its remaining customers by 11:00 p.m. on October 15, 2006. On Maui, MECO experienced an island-wide outage of its system⁶ with most of its customers back online by 1:15 p.m. and the remaining customers by approximately 2:07 p.m. on October 15, 2006.⁷

At the Commission Briefing, the HECO Companies provided a preliminary detailed description of the Power Outages, the restoration processes, and the various issues experienced by each of the companies. Moreover, HECO stated that it would engage the expert services of a mainland-based industry expert to assist in

⁵The Consumer Advocate is statutorily mandated to represent, protect, and advance the interests of all consumers of utility service and is an ex officio party to all proceedings before the commission. See HRS § 269-51 and HAR § 6-61-62.

⁶MECO stated that its systems on the islands of Molokai and Lanai did not experience any interruptions in service on October 15, 2006.

⁷The commission was informed by Kauai Island Utility Cooperative that the island of Kauai did not experience any interruption in service on October 15, 2006.

its investigation of the outage and was committed to providing the commission with a report on HECO's outage by December 2006 ("HECO's 2006 Outage Report").

On October 23, 2006, the HECO Companies held a public briefing regarding the Power Outages ("Public Briefing") in which they reiterated their preliminary findings regarding the causes of the outages and the process for restoring power to their customers. In addition, the public was given an opportunity to express their concerns and question the HECO Companies regarding the outages.

During the Public Briefing and by letter dated and filed on October 23, 2006, the Consumer Advocate requested that the commission open an investigative docket to examine whether the HECO Companies acted reasonably and in the public interest prior to and during the Power Outages. The Consumer Advocate's October 23, 2006 letter is attached to this Order as Exhibit A.

By letter dated and filed on October 27, 2006, the HECO Companies informed the commission that they do not object to the opening of separate investigative dockets related to each company's respective outage or partial outage. According to the HECO Companies, separate dockets may avoid potential complications and confusion that may result from trying to address in one docket issues relating to three different companies. In addition, the HECO Companies state that, like

HECO, HELCO and MECO will both hire industry experts to assist in filing reports regarding their respective outages and restoration efforts, and that HELCO and MECO's reports should be available by the first quarter of next year. The HECO Companies' October 27, 2006 letter is attached to this Order as Exhibit B.

By letter dated and filed on October 27, 2006, the Consumer Advocate states that it does not object to the HECO Companies' request for separate investigative proceedings for each company; nor does it object to the timing of the filing of HELCO and MECO's reports. The Consumer Advocate's October 27, 2006 letter is attached to this Order as Exhibit C.

II.

Discussion

A.

Investigative Authority

HRS § 269-7 states, in relevant part:

- (a) The public utilities commission and each commissioner shall have the power to examine the condition of each public utility, the manner in which it is operated with reference to the safety or accommodation of the public, the safety, working hours, and wages of its employees, the fares and rates charged by it, the value of its physical property, the issuance by it of stocks and bonds, and the disposition of the proceeds thereof, the amount and disposition of its income, and all its financial transactions, its business relations with other persons, companies, or corporations, its compliance

with all applicable state and federal laws and with the provisions of its franchise, charter, and articles of association, if any, its classifications, rules, regulations, practices, and service, and all matters of every nature affecting the relations and transactions between it and the public or persons or corporations . . .

-
- (c) Any investigation may be made by the commission on its own motion, and shall be made when requested by the public utility to be investigated, or by any person upon a sworn written complaint to the commission, setting forth any prima facie cause of complaint. A majority of the commission shall constitute a quorum.

HRS § 269-7(a) and (c) (emphasis added). Similarly, in HRS § 269-6, the commission is vested with "general supervision . . . over all public utilities."⁸

While the commission appreciates and acknowledges the HECO Companies' efforts to provide the commission, the Consumer Advocate and the general public with information regarding the Power Outages, there appears to be many more questions and concerns that need to be addressed; such as the existence of any possible underlying causes that contributed or may have contributed to the outages, the integrity and reliability of the systems in general, and the reasonableness of

⁸Commission investigatory authority is also set forth in HRS § 269-15 and HAR § 6-61-71.

the HECO Companies' actions prior to and during the Power Outages.

Although the commission recognizes the commitment of the HECO Companies to each retain industry experts and file reports regarding the outages, the commission believes, at this time, that a complete and independent review of the Power Outages can only be accomplished in an orderly and timely manner if the reports are filed in a proceeding fashioned for such a review. The commission agrees with the Consumer Advocate that a complete and independent investigation of the outages "can only be done effectively in a formalized process, since a regulatory schedule can be established, discovery can be conducted, and witness testimonies can be taken under oath."⁹

While the commission is cognizant of the HECO Companies' preference to have three separate investigations for each utility, the commission is not inclined to grant their request since there may be some benefits to being able to compare the different utility systems on each of the three affected islands. These differences can and should be explained in the context of the outages and the varying restoration times. Accordingly, the commission initiates this sole proceeding to

⁹See Letter dated October 23, 2006, from the Consumer Advocate to the commission, at 1, attached as Exhibit A.

examine the HECO Companies' conduct related to the Power Outages of October 15-16, 2006.

B.

Named Parties

Given the nature of this investigation, the commission, sua sponte, names as parties to this proceeding: HECO, HELCO, MECO and the Consumer Advocate (collectively, the "Parties"). Their involvement and participation in this proceeding will assist the commission in developing a sound record for its investigation into the Power Outages.

C.

Preliminary Issues

The commission sets forth the following preliminary issues to be addressed in this proceeding:

1. Aside from the earthquake, are there any underlying causes that contributed or may have contributed to the Power Outages?
2. Were the activities and performances of the HECO Companies prior to and during the Power Outages reasonable and in the public interest? Specifically, were the power restoration processes

and communication regarding the outages reasonable and timely under the circumstances?

3. Could the island-wide Power Outages on Oahu and Maui have been avoided? What are the necessary steps to minimize and improve the response to such occurrences in the future?
4. What penalties, if any, should be imposed on the HECO Companies?

These are preliminary issues for consideration. During the development of the prehearing (or procedural) order for this proceeding, the Parties (and intervenors and participants, if any) shall have the opportunity to restructure these preliminary issues, stipulate to eliminate them, or recommend other issues for resolution in this proceeding for the commission's review and consideration.

D.

Procedural Matters

A motion to intervene or participate without intervention in this docket must comply with the commission's rules set forth in HAR Chapter 6-61, Subchapter 4.

If a protective order to govern the treatment of certain documents is desired, the Parties (and intervenors and participants, if any) shall file a stipulated protective

order for the commission's review and approval within forty-five (45) days from the date of this Order. If the Parties (and intervenors and participants, if any) are unable to stipulate, each party or participant shall file proposed protective orders for the commission's review and consideration within the forty-five (45)-day filing deadline.

Within fifteen (15) days of the date of this Order, the HECO Companies shall file all documents provided at the Commission Briefing and the Public Briefing (e.g., power-point slides) in compliance with the filing requirements of HAR Chapter 6-61. If deemed necessary, portions of such documents and information can be filed after the issuance of a commission-approved protective order in this docket.

Within forty-five (45) days of the date of this Order, the Parties (and intervenors and participants, if any) shall file a stipulated prehearing (or procedural) order to govern the matters of this investigation for the commission's review and approval. If the Parties (and intervenors and participants, if any) are unable to stipulate, each of them shall file proposed orders for the commission's review and consideration within the forty-five (45)-day filing deadline.

HECO's 2006 Outage Report shall be filed in this docket by December 31, 2006, in accordance with all applicable filing requirements of HAR Chapter 6-61. The outage reports of HELCO

and MECO shall be filed in this docket by March 30, 2007, in accordance with all applicable filing requirements of HAR Chapter 6-61.

The commission expects all Parties (and intervenors and participants, if any) to this proceeding to participate fully in the development of the necessary procedures and issues for the orderly conduct of this investigatory proceeding, consistent with all applicable State laws and commission rules and regulations. Moreover, if necessary or appropriate, the Parties to this proceeding will be expected to actively participate in an evidentiary hearing or other procedures authorized by State law.

III.

Orders

THE COMMISSION ORDERS:

1. An investigative proceeding is initiated to examine the Power Outages of October 15-16, 2006.

2. The commission, sua sponte, designates HECO, HELCO, MECO, and the Consumer Advocate as parties to this investigative docket.

3. A motion to intervene or participate without intervention must be filed not later than twenty (20) days from the date of this Order, pursuant to HAR § 6-61-57(3)(B). Motions to intervene or participate without intervention must comply with

all applicable rules of HAR Chapter 6-61, Rules of Practice and Procedure Before the Public Utilities Commission.

4. If a protective order to govern the treatment of certain documents is desired, the Parties (and intervenors and participants, if any) shall file a stipulated protective order for the commission's review and approval within forty-five-(45) days of the date of this Order. If they are unable to stipulate, each party, (intervenor or participant, if any) shall file a proposed protective order for the commission's review and consideration within the forty-five (45)-day filing deadline.

5. Within fifteen (15) days of the date of this Order, the HECO Companies shall file all documents provided at the Commission Briefing and the Public Briefing (e.g., power-point slides) in compliance with all filing requirements of HAR Chapter 6-61. If deemed necessary, portions of such documents and information can be filed after the issuance of a commission-approved protective order in this docket.

6. Within forty-five (45) days of the date of this Order, the Parties (and intervenors and participants, if any) shall file a stipulated prehearing (or procedural) order to govern the matters of this investigation for the commission's review and approval. If the Parties (and intervenors and participants, if any) are unable to stipulate, each of them shall

file a proposed order for the commission's review and consideration within the forty-five (45)-day filing deadline.

7. HECO's 2006 Outage Report shall be filed in this docket by December 31, 2006, in accordance with all applicable filing requirements of HAR Chapter 6-61. HELCO and MECO's outage reports shall be filed in this docket by March 30, 2007, in accordance with all applicable filing requirements of HAR Chapter 6-61.

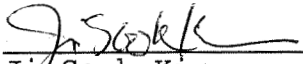
DONE at Honolulu, Hawaii OCT 27 2006.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By: 
Carlito P. Caliboso, Chairman

By: 
John E. Cole, Commissioner

APPROVED AS TO FORM:


Ji Sook Kim
Commission Counsel

2006-0431.sl

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



MARK E. RECKTENWALD
DIRECTOR

CATHERINE P. AWAKUNI
EXECUTIVE DIRECTOR

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DIVISION OF CONSUMER ADVOCACY
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

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October 23, 2006

FILED
2006 OCT 23 P 1:15
PUBLIC UTILITIES
COMMISSION

The Honorable Members of the
Hawaii Public Utilities Commission
Kekuanaoa Building, Room 103
465 South King Street
Honolulu, Hawaii 96813

Dear Chairman Caliboso, Commissioner Cole, and Staff:

Re: October 15 – 16, 2006 Power Outages

On October 15 and 16, 2006, Hawaiian Electric Company, Inc., Maui Electric Company, Limited, and Hawaii Electric Light Company, Inc. (collectively, "HECO Companies") experienced lengthy power outages over significant portions of their systems, including system-wide outages on the islands of O'ahu and Maui ("October 15th Power Outages").

As you know, the HECO Companies provided a preliminary briefing to the Commission last week concerning the cause of the outages and the efforts that were made to bring the systems back up. While we appreciate these reports by the HECO Companies, we still have many questions to ask and more investigative work to conduct to determine whether the HECO Companies acted reasonably prior to and during the October 15th Power Outages. We believe that such investigative work can only be done effectively in a formalized process, since a regulatory schedule can be established, discovery can be conducted, and witness testimonies can be taken under oath.

As a result, we recommend and request that the Commission open an investigative docket to examine whether the HECO Companies acted reasonably and in the public interest prior to and during the October 15th Power Outages.

In any event, the Consumer Advocate will hire its own expert to review the HECO Companies' performance, to help ensure that there will be a complete and independent review of these events. That expert will be available to assist the division in its participation in any investigative docket that the Commission opens.

The Honorable Commissioners of the
Hawaii Public Utilities Commission

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If you have any questions, please do not hesitate to contact me at any time.
Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Catherine P. Awakuni". The signature is fluid and cursive, with a long horizontal stroke at the end.

Catherine P. Awakuni
Executive Director

CPA:tt

cc: William A. Bonnet, HECO

EXHIBIT B



William A. Bonnet
Vice President
Government & Community Affairs

PUBLIC UTILITIES
COMMISSION

2006 OCT 27 A 10:29

FILED

October 27, 2006

The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
465 South King Street, First Floor
Kekuanaoa Building
Honolulu, Hawaii 96813

Dear Chairman Caliboso and Commissioner Cole:

Subject: October 15, 2006 Outage

At approximately 7:07 a.m. on October 15, 2006, an earthquake occurred just west of the Big Island of Hawaii. The earthquake initiated a chain of events resulting in island-wide outages on Oahu and Maui and significant outages on the Big Island of Hawaii. MECO's customers on Molokai and Lanai did not experience outages. Restoration efforts by the Hawaiian Electric Companies' employees began almost immediately after the loss of power due to the earthquake.¹ HECO's customers began to receive power shortly after 12:00 noon. By 1:55 a.m. on the morning of October 16, 2006, HECO had restored power to approximately 99% of its customers. MECO's Maui customers began to receive power at approximately 9:00 a.m. with 96% of its customers back online by 1:15 p.m. HELCO began to restore customers who lost power back to their system at approximately 7:35 a.m., with almost all of its customers online by noon that day.

On October 19, 2006, the Companies provided a briefing to the Commission and the Consumer Advocate on the cause of the outages and the efforts of the Companies' employees to restore power to their customers. At the briefing, HECO also committed to hiring a mainland industry expert to assist in compiling a report on the Oahu incident by the end of the year. By letter filed October 23, 2006, the Division of Consumer Advocacy ("Consumer Advocate") has requested and recommended that the Commission open an investigative docket to examine the events relating to these outages and the reasonableness of the Companies' responses. The Consumer Advocate indicated that it would hire its own expert to review the Companies' performance.

¹ Hawaiian Electric Companies (or "Companies") refer to Hawaiian Electric Company, Inc. ("HECO"), Hawaii Electric Light Company, Inc. ("HELCO") and Maui Electric Company, Limited ("MECO").

The Hawaii Public Utilities Commission
October 27, 2006
Page 2

The Hawaiian Electric Companies do not object to the opening of an investigative docket for each Company relating to that Company's respective outage or partial outage. The Companies believe that opening separate dockets for each Company, rather than one docket for all three Companies, would have beneficial results for the parties as well as the Commission and lead to a more efficient investigation.² The Companies agree that, should the Commission open such investigative dockets, these dockets should be formalized proceedings involving the setting of a regulatory schedule, discovery and witnesses for each investigative docket. HECO does not expect that such dockets would affect HECO's commitment, as stated in the briefing, to retain an industry expert to examine these events and file a report on the HECO outage in December of 2006. In addition, following the recommendation of the Consumer Advocate to open an investigative docket for all of the Companies, HELCO and MECO will also hire industry experts to assist in filing reports in the first quarter of next year on their respective outages and restoration efforts.

Finally, the Consumer Advocate has already begun its inquiry into the outages, and the Hawaiian Electric Companies are cooperating with the Consumer Advocate in that endeavor.

If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,



William A. Bonnet
Vice President
Hawaiian Electric Company, Inc.
Hawaii Electric Light Company, Inc.
Maui Electric Company, Limited

cc: Division of Consumer Advocacy

² Separate dockets may avoid potential complications and confusion that may result from trying to address in one docket issues relating to three different Companies, issues relating to three different electric systems, issues relating to facts and circumstances particular to each island as well as practical issues surrounding the coordination and separation of information relating to each outage or partial outage, as the case may be.



LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



MARK E. RECKTENWALD
DIRECTOR

CATHERINE P. AWAKUNI
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October 27, 2006

The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
Kekuanaoa Building, Room 103
465 South King Street
Honolulu, Hawaii 96813

FILED
2006 OCT 27 P 12:33
PUBLIC UTILITIES
COMMISSION

Dear Chairman Caliboso, Commissioner Cole, and Staff:

Re: October 15, 2006 Power Outages

This responds to the letter filed on October 27, 2006, filed by Hawaiian Electric Company, Inc. ("HECO"), Hawaii Electric Light Company, Inc. ("HELCO"), and Maui Electric Company, Limited ("MECO") (collectively, the "HECO Companies"), wherein the HECO Companies state that they do not object to the opening of an investigative docket for "each Company relating to that Company's respective outage or partial outage, as the case may be." Letter from William A. Bonnet, Vice President, HECO Companies, to Public Utilities Commission (Oct. 27, 2006) at 1. In their letter, the HECO Companies explain that:

Having separate dockets, among other things, may avoid potential complications and confusion that may result from trying to address in one docket issues relating to three different Companies, issues relating to three different electric systems, issues relating to facts and circumstances particular to each island as well as practical issues surrounding the coordination and separation of information relating to each outage or partial outage as the case may be.

Id. at 2. The Consumer Advocate does not object to the opening by the Commission of three separate dockets to investigate each of the HECO Companies' respective outages.

The HECO Companies agree in their letter to hire industry experts for HELCO and MECO to assist in filing reports in the first quarter of next year on their respective

The Honorable Commissioners of the
Hawaii Public Utilities Commission
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October 27, 2006

outages and restoration efforts.¹ The Consumer Advocate appreciates the HECO Companies' commitment to prepare and file reports for HELCO and MECO, and does object to the proposed timing for their filing.

Finally, the Consumer Advocate confirms that has started its inquiry into the HECO power outage and acknowledges HECO's cooperation in assisting the Consumer Advocate with its efforts. To that end, the Consumer Advocate and HECO anticipate the filing of a Stipulated Protective Order within the next few days to expedite the submission of information deemed highly confidential, but is necessary for the Consumer Advocate's independent review of the actions taken in the wake of the October 15, 2006 earthquake.

If you have any questions, please do not hesitate to contact me at any time. Thank you for the opportunity to present the Consumer Advocate's position on the aforementioned matter.

Sincerely,

A handwritten signature in black ink, reading "Catherine P. Awakuni". The signature is fluid and cursive, with a horizontal line extending from the end.

Catherine P. Awakuni
Executive Director

CPA:tt

cc: William A. Bonnet, HECO

¹At the briefings held on Thursday, October 19, 2006 and Friday, October 20, 2006, HECO indicated that it was retaining a consultant to perform an independent investigation of the island-wide power outage on the island of Oahu. HECO stated that the investigation was expected to be completed in December of this year and committed to providing the Commission and the Consumer Advocate with copies of the consultant's investigative results and recommendations for the future.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 22986 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

CATHERINE P. AWAKUNI
EXECUTIVE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
DIVISION OF CONSUMER ADVOCACY
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WARREN H.W. LEE, P.E.
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Hilo, HI 96721-1027

EDWARD REINHARDT
PRESIDENT
MAUI ELECTRIC COMPANY, LIMITED
P.O. Box 398
Kahului, HI 96733-6898

WILLIAM A. BONNET
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DEAN MATSUURA
DIRECTOR
REGULATORY AFFAIRS
HAWAIIAN ELECTRIC COMPANY, INC.
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Honolulu, HI 96840-0001



Karen Higashi

DATED: OCT 27 2006